

# FEDERAL DEPOSIT INSURANCE CORPORATION

## **Selected March Financial Indicators**

- BIF reserve ratio is 1.39 percent
- SAIF reserve ratio is 1.26 percent after \$978 million is transferred to the Special Reserve



# Executive Management Report

Financial Results (unaudited)  
For the quarter ending March 31, 1999

# **Executive Summary**

## **For the Quarter Ending March 31, 1999**

### ***Insurance Funds:***

- In order to assess exposure to the Insurance Funds from Year 2000 potential failures, FDIC evaluated all information relevant to such an assessment, including Year 2000 on-site examination results, institution capital levels and supervisory examination composite ratings, and other institution past and current financial characteristics. As a result of this assessment, no institutions were identified that would likely fail and cause loss to the Insurance Funds. During the remainder of 1999, the regulatory agencies will continue their Year 2000 reviews, and the FDIC will continue to assess this potential liability.
- The liability for anticipated failures of insured BIF and SAIF institutions, at \$60 million and \$52 million, respectively, reflects the stable condition of the bank and thrift industries.
- One BIF-insured institution, with assets of \$12 million, failed during the first quarter of 1999. Three BIF-insured institutions, with assets of \$370 million, failed during calendar year 1998.
- No SAIF-insured institutions failed during the first quarter of 1999 or during calendar year 1998.

### ***Bank Insurance Fund (BIF):***

- Comprehensive income (net income plus unrealized gains/losses on available-for-sale securities) was \$240 million for the quarter ending March 31, 1999, raising the fund balance to \$29.9 billion.
- Revenue totaled \$438 million for the quarter ending March 31, 1999. The funds earned \$420 million in interest on investments in U.S. Treasury obligations and \$10 million in deposit insurance assessments.
- Receivables from bank resolutions are \$678 million at March 31, 1999. This receivable peaked at \$27.8 billion in 1992 due to the large number of bank failures occurring at that time.
- Assets in liquidation totaled \$1.2 billion as of March 31, 1999, down by \$272 million over the last 12 months.

### ***Savings Association Insurance Fund (SAIF):***

- Comprehensive income was \$97 million for the quarter ending March 31, 1999, increasing the unrestricted fund balance to \$9.0 billion.

- Revenue totaled \$141 million for the quarter ending March 31, 1999. Almost all first quarter revenue was derived from interest earned. Revenue from deposit insurance assessments netted to zero, because the \$4.8 million that was recognized as current year income was offset by a prior period assessment refund.
- The Deposit Insurance Funds Act of 1996 required the establishment of a Special Reserve of the SAIF if, on January 1, 1999, the reserve ratio exceeded the Designated Reserve Ratio (DRR) of 1.25 percent. The reserve ratio of 1.39 percent exceeded the DRR by 0.14 percent on January 1, 1999. As a result, \$978 million was placed in a Special Reserve of the SAIF to be administered by the FDIC. The Special Reserve must be excluded when calculating the reserve ratio of the SAIF.

### ***FSLIC Resolution Fund (FRF):***

#### ***~FRF-FSLIC~***

- The U.S. Department of Treasury has determined that the FRF is responsible for the payment of judgements and settlements in most supervisory goodwill litigation cases against the U. S. Government. Future goodwill litigation payments cannot be reasonably estimated at this time. There were no settlement payments for the quarter ending March 31, 1999.
- In addition to payments for goodwill settlements, the FRF is responsible for reimbursing the Department of Justice (DOJ) for its goodwill litigation expenses. Payments for DOJ's fiscal year 1999 goodwill litigation expenses total \$51.2 million.
- On April 9, 1999, the United States Court of Federal Claims ruled that the federal government must pay Glendale Federal Bank \$908.9 million for breaching a contract that allowed the thrift to count goodwill toward regulatory capital. Both the plaintiffs and the Department of Justice are expected to appeal the decision. Additionally, on April 16, 1999, in a similar case, another judge of the U.S. Court of Federal Claims, using a different analysis than the one used by the judge in the Glendale Federal case, awarded California Federal Bank \$23 million. California Federal Bank was seeking more than \$1.0 billion in damages and is expected to appeal the decision. The analyses of the damage issues in the two cases appear to be irreconcilable. Due to the expected appeals and the conflicting analyses in the two cases, the final outcome is uncertain.

## **Executive Summary**

### **For the Quarter Ending March 31, 1999**

#### ***~FRF-RTC~***

- The FRF-RTC cash balance of \$3.0 billion is at an all time high. This increase in cash is primarily due to:
  - 1) Cash recoveries from the securitization funds held by trustee totaled \$2.7 billion from January 1, 1998 through March 31, 1999. The trustee released these funds because either securitization deals were terminated or certain criteria were met to allow the release; and
  - 2) Cash recoveries from the securitization residual certificates totaled \$320 million from January 1, 1998 through March 31, 1999.

FDIC management is considering various options relative to returning FRF-RTC's excess cash to the U.S. Treasury in a prudent manner. The RTC Completion Act requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the RTC Completion Act but not needed by the RTC. The RTC Completion Act made available approximately \$18 billion worth of additional funding, and the RTC drew down \$4.556 billion.

The FDIC must transfer to the Resolution Funding Corporation (REFCORP) the net proceeds from the sale of FRF-RTC assets (once all liabilities of the FRF-RTC have been paid) to pay the interest on REFCORP bonds. Any such payments benefit the U.S. Treasury, which would otherwise be obligated to pay the interest on the bonds.

- Assets in liquidation totaled \$845 million as of March 31, 1999, down by \$1.0 billion over the last 12 months.
- RTC receiverships transferred their securitization residual certificates of \$1.8 billion to the Corporation during October 1998. This amount was offset by amounts owed by the receiverships to RTC. As a result of this transaction, the residual certificates are no longer reflected in the "Receivables from thrift resolutions, net" financial statement line. The assets are reported separately in a new financial statement line titled "Investment in securitization residual certificates."

# INSURANCE FUNDS

## Bank Insurance Fund (BIF)

## Savings Association Insurance Fund (SAIF)

The BIF and SAIF are separate insurance funds responsible for protecting insured depositors in operating banks and thrift institutions from loss due to failure of the institution. Since 1989, an active institution's insurance fund membership and primary federal regulator have been generally determined by the institution's charter type. Deposits of BIF-member institutions are primarily insured by the BIF; BIF members are predominantly commercial and savings banks regulated by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve. Deposits of SAIF-member institutions are primarily insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision.

### FINANCIAL HIGHLIGHTS

<i>Dollars in Millions</i>	BIF (Unaudited)		SAIF (Unaudited)	
	3/31/99	3/31/98	3/31/99	3/31/98
Revenue	\$ 438	\$ 425	\$ 141	\$ 135
Operating Expenses	167	132	21	16
Insurance Losses/Expenses	27	26	21	3
Comprehensive Income	240	266	97	116
Restricted Fund Balance	0	0	978	0
Unrestricted Fund Balance	\$ 29,852	\$ 28,559	\$ 8,959	\$ 9,484
Reserve Ratio (a)	1.39%	1.39%	1.26%	1.37%
Estimated Insured Deposits	\$ 2,141,268 (b)	\$ 2,055,874 (c)	\$ 708,959 (b)	\$ 689,802 (d)
Total Insured Institutions	9,056 (b)	9,430 (c)	1,430 (b)	1,519 (c)
Number of Failures, YTD	1	0	0	0
Total Corporate Outlays, YTD	\$11	\$0	\$0	\$0
Total Estimated Corporate Losses, YTD	\$0	\$0	\$0	\$0
Total Assets at Inception (Current Year)	\$12	\$0	\$0	\$0
Assets in Liquidation	\$1,204	\$1,476	\$0 (e)	\$3

(a) The Reserve Ratio is equal to the Unrestricted Fund Balance divided by Estimated Insured Deposits. The statutorily designated Reserve Ratio is 1.25%.

(b) Source: 12/31/98 FDIC Quarterly Banking Profile. BIF figure includes 25 U.S. branches of foreign banks.

(c) Source: 12/31/97 FDIC Quarterly Banking Profile. BIF figure includes 27 U.S. branches of foreign banks.

(d) Source: 3/31/98 FDIC Quarterly Banking Profile; the 12/31/97 number was subsequently updated.

(e) Actual amount is \$304,302.

## Bank Insurance Fund Statements of Financial Position March 1999

*Dollars in Millions*(Unaudited)  
March 31**Assets**

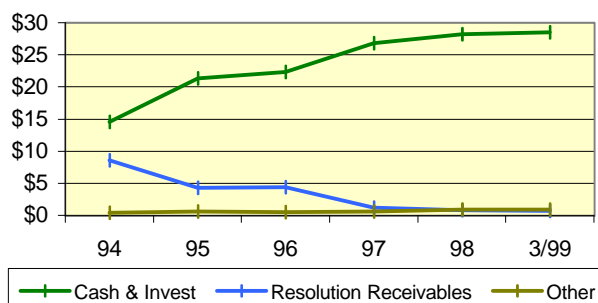
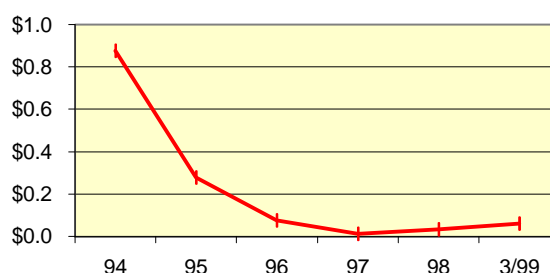
	<u>1999</u>	<u>1998</u>
Cash and cash equivalents	\$ 1,427	\$ 407
Investment in U.S. Treasury obligations, net	27,076	26,884
Interest receivable on investments and other assets, net	669	490
Receivables from bank resolutions, net	678	840
Assets acquired from assisted institutions and terminated receiverships, net	22	58
Property and buildings, net	142	145
Software development and other capitalized assets, net	73	7
<b>Total Assets</b>	<b>\$ 30,087</b>	<b>\$ 28,831</b>

**Liabilities**

Accounts payable and other liabilities	\$ 146	\$ 170
<b>Estimated Liabilities for:</b>		
Anticipated failure of insured institutions	60	41
Assistance agreements	1	28
Litigation losses	22	8
Asset securitization guarantees	6	25
<b>Total Liabilities</b>	<b>235</b>	<b>272</b>

**Fund Balance**

Accumulated net income	29,845	28,560
Unrealized gain/(loss) on available-for-sale securities, net	7	(1)
<b>Total Fund Balance</b>	<b>29,852</b>	<b>28,559</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 30,087</b>	<b>\$ 28,831</b>

*Chart Data: Dollars in Billions***BIF Asset Composition****BIF Estimated Liability for Anticipated Failure of Insured Institutions**

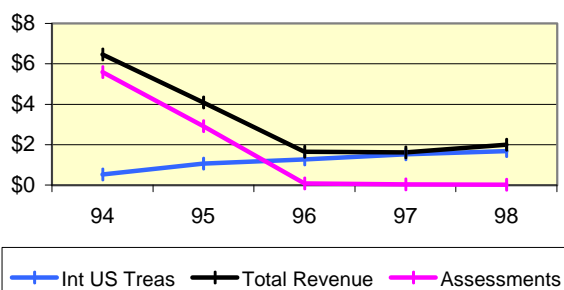
## Bank Insurance Fund Statements of Income and Fund Balance March 1999

*Dollars in Millions*

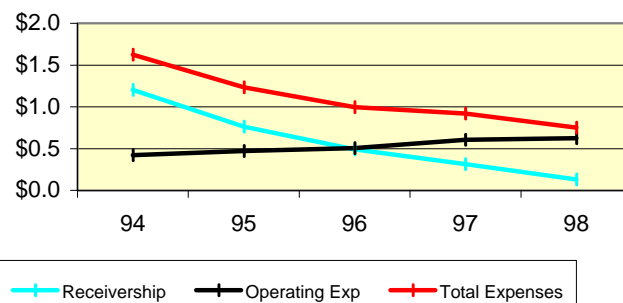
	(Unaudited) Year-to-Date:		(Unaudited) For the month of March:	
	1999	1998	1999	1998
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 420	\$ 408	\$ 147	\$ 141
Interest on advances and subrogated claims	1	2	0	0
Revenue from assets acquired from assisted institutions and terminated receiverships	3	7	1	3
Assessments	10	5	5	1
Other revenue	4	3	1	2
<b>Total Revenue</b>	<b>438</b>	<b>425</b>	<b>154</b>	<b>147</b>
<b>Expenses and Losses</b>				
Operating expenses	167	132	67	59
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	26	10	28	24
Expenses for assets acquired from assisted institutions and terminated receiverships	1	15	0	4
Interest and other insurance expenses	0	1	0	1
<b>Total Expenses and Losses</b>	<b>194</b>	<b>158</b>	<b>95</b>	<b>88</b>
<b>Net Income</b>	<b>244</b>	<b>267</b>	<b>59</b>	<b>59</b>
Unrealized (loss)/gain on available-for-sale securities, net (current period)	(4)	(1)	1	(1)
<b>Comprehensive Income</b>	<b>240</b>	<b>266</b>	<b>60</b>	<b>58</b>
<b>Fund Balance - Beginning</b>	<b>29,612</b>	<b>28,293</b>	<b>29,792</b>	<b>28,501</b>
<b>Fund Balance - Ending</b>	<b>\$ 29,852</b>	<b>\$ 28,559</b>	<b>\$ 29,852</b>	<b>\$ 28,559</b>

*Chart Data: Dollars in Billions*

**BIF Revenue  
December 31**



**BIF Operating and Receivership Expenses  
December 31**



## Savings Association Insurance Fund Statements of Financial Position March 1999

*Dollars in Millions*(Unaudited)  
March 31**Assets**

Cash and cash equivalents - unrestricted  
Cash and other assets - restricted for  
SAIF-member exit fees  
Investment in U.S. Treasury obligations, net  
Interest receivable on investments  
and other assets  
Receivables from thrift resolutions, net

**Total Assets**

<u>1999</u>	<u>1998</u>
\$ 473	\$ 146
257	243
9,376	9,214
143	131
5	5
<u>\$ 10,254</u>	<u>\$ 9,739</u>

**Liabilities**

Accounts payable and other liabilities

**Estimated Liabilities for:**

Anticipated failure of insured institutions  
SAIF-member exit fees and investment  
proceeds held in escrow

**Total Liabilities**

\$ 8	\$ 9
52	3
<u>257</u>	<u>243</u>
<u>317</u>	<u>255</u>

**Fund Balance****Unrestricted**

Accumulated net income  
Unrealized gain on available-for-sale  
securities, net

8,956	9,484
3	0
<u>8,959</u>	<u>9,484</u>

**Restricted**

Special Reserve

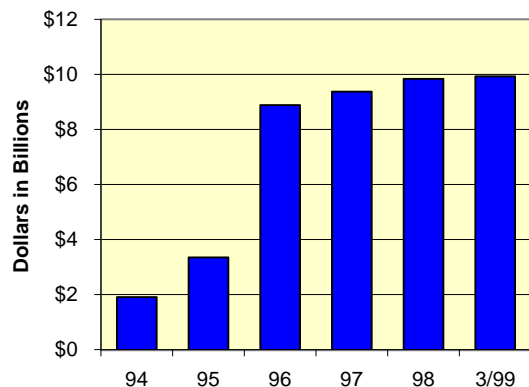
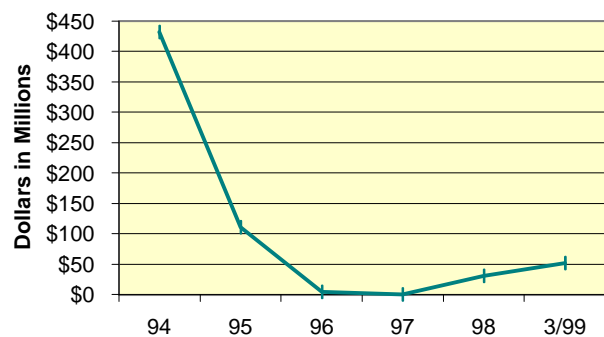
978	0
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**Total Fund Balance**

9,937	9,484
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**Total Liabilities and Fund Balance**

<u>\$ 10,254</u>	<u>\$ 9,739</u>
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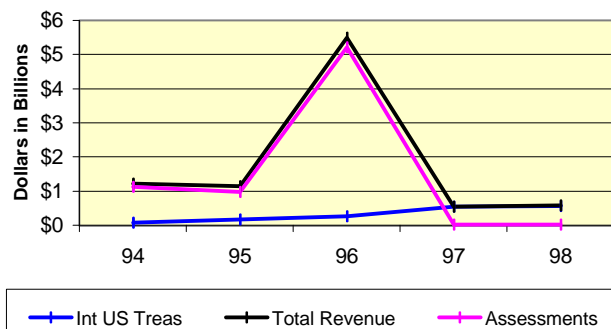
**SAIF Total Fund Balance****SAIF Estimated Liability for Anticipated Failure of Insured Institutions**

## Savings Association Insurance Fund Statements of Income and Fund Balance March 1999

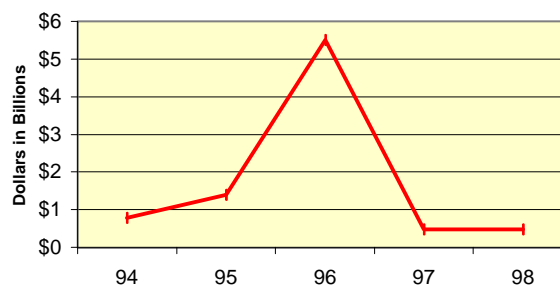
*Dollars in Millions*

	(Unaudited) Year-to-Date:		(Unaudited) For the month of March:	
	1999	1998	1999	1998
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 141	\$ 138	\$ 49	\$ 48
Assessments	0	(3)	(3)	(7)
Other revenue	0	0	0	0
<b>Total Revenue</b>	<b>141</b>	<b>135</b>	<b>46</b>	<b>41</b>
<b>Expenses and Losses</b>				
Operating expenses	21	16	8	7
Provision for insurance losses	21	3	21	3
<b>Total Expenses and Losses</b>	<b>42</b>	<b>19</b>	<b>29</b>	<b>10</b>
<b>Net Income</b>	<b>99</b>	<b>116</b>	<b>17</b>	<b>31</b>
Unrealized gain/(loss) on available-for-sale securities, net (current period)	(2)	0	0	0
<b>Comprehensive Income</b>	<b>97</b>	<b>116</b>	<b>17</b>	<b>31</b>
<b>Fund Balance - Beginning</b>	<b>9,840</b>	<b>9,368</b>	<b>8,942</b>	<b>9,453</b>
<b>Unrestricted Fund Balance - Ending</b>	<b>8,959</b>	<b>9,484</b>	<b>8,959</b>	<b>9,484</b>
<b>Restricted Fund Balance (Special Reserve) - Ending</b>	<b>978</b>	<b>0</b>	<b>978</b>	<b>0</b>
<b>Fund Balance - Ending</b>	<b>\$ 9,937</b>	<b>\$ 9,484</b>	<b>\$ 9,937</b>	<b>\$ 9,484</b>

**SAIF Revenue  
December 31**



**SAIF Comprehensive Income  
December 31**





# ***RESOLUTION FUND***

## ***FSLIC Resolution Fund (FRF)***

The FRF is an FDIC-managed resolution fund that was originally created to wind up the affairs of the former Federal Savings and Loan Insurance Fund (FSLIC). It is also responsible for liquidating the assets and liabilities that were transferred from the former Resolution Trust Corporation (RTC) in 1996. Statutorily, the FRF is reported as one fund; for management reporting and operational purposes, the FRF is split into its FSLIC and RTC components and accounted for separately. The assets of one component are not available to satisfy the obligations of the other.

The FRF will continue to operate until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied.

### ***FRF-FSLIC***

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FRF, and transferred the assets and liabilities of the FSLIC to the FRF or RTC, effective August 9, 1989. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury.

### ***FRF-RTC***

The RTC was created to manage and resolve all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed on January 1, 1989, or later. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995, and the RTC was terminated as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury or the Resolution Funding Corporation, as appropriate.

## FSLIC Resolution Fund

### Statements of Cash Flows and Selected Statistics

#### March 1999

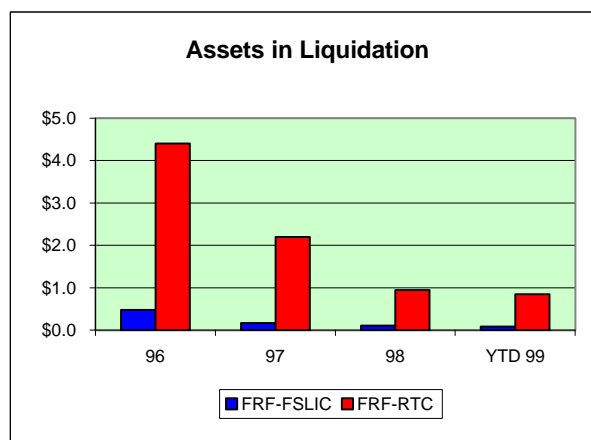
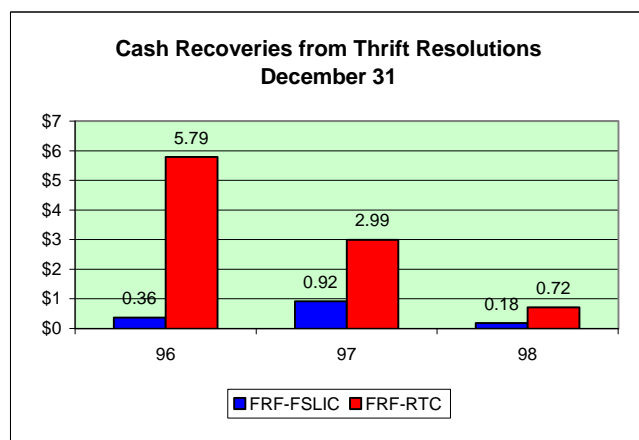
*Dollars in Millions*

	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF - CONSOLIDATED (Unaudited) Year-to-Date:	
	1999	1998	1999	1998	1999	1998
<b>Cash Flows</b>						
<b>Cash Flows from Operating Activities:</b>						
Cash Provided by Operating Activities	\$47	\$122	\$454	\$319	\$501	\$441
Cash Used for Operating Activities	(7)	(13)	(55)	(82)	(62)	(95)
Net Cash Provided by Operating Activities	40	109	399	237	439	346
<b>Cash Flows from Investing Activities:</b>						
Securitization Residual Certificates	0	0	59	0	59	0
<b>Cash Flows from Financing Activities:</b>						
Repayments of Federal Financing Bank Borrowings	0	0	0	(268)	0	(268)
Repayments of Indebtedness Incurred from Thrift Resolutions	0	(32)	0	0	0	(32)
<b>Net Increase/(Decrease) in Cash</b>	<b>\$40</b>	<b>\$77</b>	<b>\$458</b>	<b>(\$31)</b>	<b>\$498</b>	<b>\$46</b>
<b>Selected Statistics</b>						
Resolution Equity	\$2,132	\$2,039	\$8,330	\$6,651	\$10,462	\$8,690
Federal Financing Bank Borrowings (1)	\$0	\$0	\$0	\$578	\$0	\$578
Number of Active Receiverships	25	27	359	394	384	421
Number of Other Liquidating Entities	57	57	18	18	75	75
Assets in Liquidation (2)	\$85	\$130	\$845	\$1,866	\$930	\$1,996

(1) FFB borrowings peaked at \$64 billion in 1991. The debt was repaid in August 1998.

(2) "Assets in liquidation" is the total book value of the noncash assets to be liquidated.

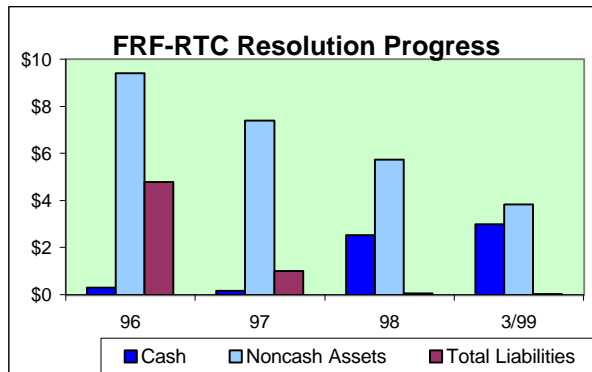
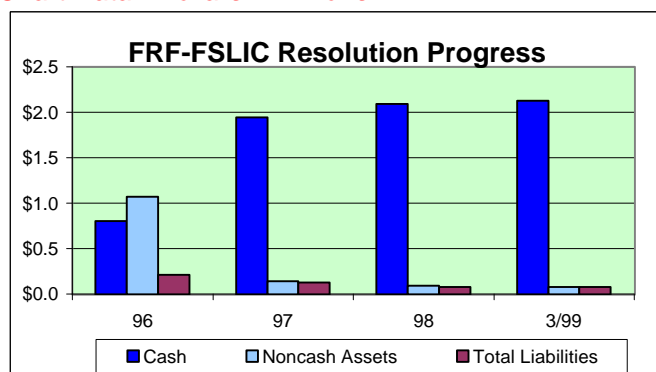
*Chart Data: Dollars in Billions*



## FSLIC Resolution Fund Statements of Financial Position March 1999

*Dollars in Millions*

	FRF - FSLIC (Unaudited) March 31		FRF - RTC (Unaudited) March 31		FRF-CONSOLIDATED (Unaudited) March 31	
	1999	1998	1999	1998	1999	1998
<b>Assets</b>						
Cash and cash equivalents	\$ 2,129	\$ 2,023	\$ 3,000	\$ 131	\$ 5,129	\$ 2,154
Receivables from thrift resolutions, net	39	55	1,295	2,360	1,334	2,415
Securitization funds held by trustee, net	0	0	2,487	4,775	2,487	4,775
Investment in securitization residual certificates	0	0	1,528	0	1,528	0
Assets acquired from assisted thrifts and terminated receiverships, net	30	40	28	62	58	102
Other assets, net	10	4	27	0	37	4
<b>Total Assets</b>	<b>\$ 2,208</b>	<b>\$ 2,122</b>	<b>\$ 8,365</b>	<b>\$ 7,328</b>	<b>\$ 10,573</b>	<b>\$ 9,450</b>
<b>Liabilities and Resolution Equity</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 4	\$ 10	\$ 26	\$ 88	\$ 30	\$ 98
Notes payable - Federal Financing Bank borrowings	0	0	0	578	0	578
Liabilities incurred from thrift resolutions	67	67	8	8	75	75
<i>Estimated liabilities for:</i>						
Assistance agreements	5	6	0	0	5	6
Litigation losses	0	0	1	3	1	3
<b>Total Liabilities</b>	<b>76</b>	<b>83</b>	<b>35</b>	<b>677</b>	<b>111</b>	<b>760</b>
<b>Resolution Equity</b>						
Contributed capital	44,156	44,156	91,335	91,338	135,491	135,494
Accumulated deficit	(42,024)	(42,117)	(83,116)	(84,687)	(125,140)	(126,804)
Unrealized gain on available-for-sale securities, net	0	0	111	0	111	0
Accumulated deficit, net	(42,024)	(42,117)	(83,005)	(84,687)	(125,029)	(126,804)
<b>Total Resolution Equity</b>	<b>2,132</b>	<b>2,039</b>	<b>8,330</b>	<b>6,651</b>	<b>10,462</b>	<b>8,690</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 2,208</b>	<b>\$ 2,122</b>	<b>\$ 8,365</b>	<b>\$ 7,328</b>	<b>\$ 10,573</b>	<b>\$ 9,450</b>

*Chart Data: Dollars in Billions*

## FSLIC Resolution Fund Statements of Income and Accumulated Deficit March 1999

*Dollars in Millions*

	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF-CONSOLIDATED (Unaudited) Year-to-Date:	
	1999	1998	1999	1998	1999	1998
<b>Revenue</b>						
Interest on securitization funds held by trustee	\$ 0	\$ 0	\$ 20	\$ 66	\$ 20	\$ 66
Interest on U.S. Treasury obligations	25	27	0	0	25	27
Interest on advances and subrogated claims	0	0	14	9	14	9
Revenue from assets acquired from assisted thrifts and terminated receiverships	3	7	1	3	4	10
Limited partnership equity interests and other revenue	0	0	8	1	8	1
<b>Total Revenue</b>	<b>28</b>	<b>34</b>	<b>43</b>	<b>79</b>	<b>71</b>	<b>113</b>
<b>Expenses and Losses</b>						
Operating expenses	2	1	18	8	20	9
Provision for losses	(10)	(50)	(45)	(34)	(55)	(84)
Interest expense on Federal Financing Bank debt and other notes payable	1	1	0	10	1	11
Expenses for assets acquired from assisted thrifts and terminated receiverships	1	5	1	3	2	8
<b>Total Expenses and Losses</b>	<b>(6)</b>	<b>(43)</b>	<b>(26)</b>	<b>(13)</b>	<b>(32)</b>	<b>(56)</b>
<b>Net Income</b>	<b>34</b>	<b>77</b>	<b>69</b>	<b>92</b>	<b>103</b>	<b>169</b>
Unrealized gain on available-for-sale securities, net	0	0	37	0	37	0
<b>Comprehensive Income</b>	<b>34</b>	<b>77</b>	<b>106</b>	<b>92</b>	<b>140</b>	<b>169</b>
<b>Accumulated Deficit - Beginning</b>	<b>(42,058)</b>	<b>(42,194)</b>	<b>(83,111)</b>	<b>(84,779)</b>	<b>(125,169)</b>	<b>(126,973)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (42,024)</b>	<b>\$ (42,117)</b>	<b>\$ (83,005)</b>	<b>\$ (84,687)</b>	<b>\$ (125,029)</b>	<b>\$ (126,804)</b>

*Chart Data: Dollars in Billions*